Bethlehem Steel Corporation

1969 ANNUAL REPORT

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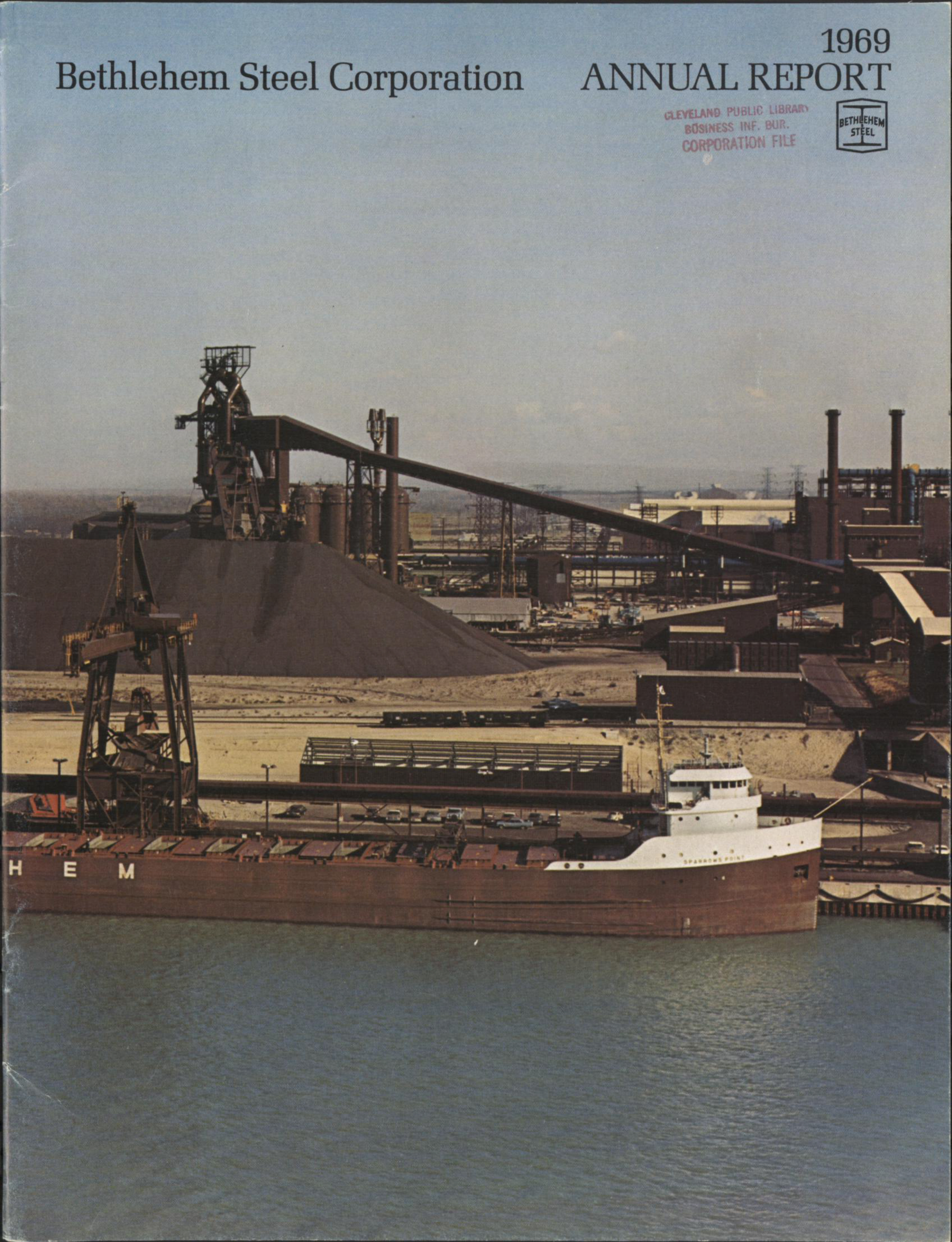
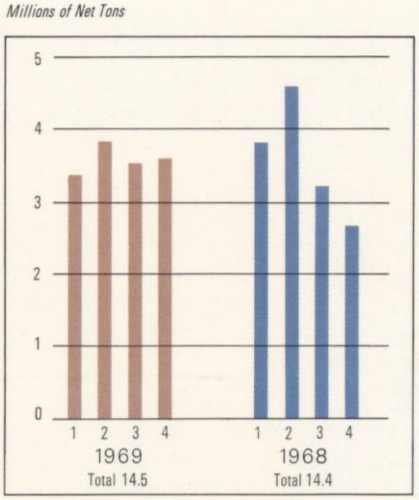


Financial and Operating Summary

	1969	1968
Net income—Amount	$ 156,532,000	$ 160,528,000
—Per dollar of total revenues	5.3¢	5.5¢
—Per share	$3.56	$3.55
Dividends —Amount	$ 76,966,000	$ 72,346,000
—Per share	$1.75	$1.60
Common Stock at year end—Shares outstanding	44,022,000	43,987,000
—Stockholders	229,000	237,000
Total revenues	$2,956,252,000	$2,896,255,000
Depreciation	$ 213,112,000	$ 211,641,000
Taxes—Federal, state, local and foreign	$ 136,043,000	$ 163,080,000
Capital expenditures—		
Property, plant and equipment	$ 391,211,000	$ 458,080,000
Investments in 50% or less owned enterprises	20,544,000	71,812,000
Capital expenditures authorized at year end—		
Property, plant and equipment	$ 605,000,000	$ 537,000,000
Investments in 50% or less owned enterprises	43,400,000	16,000,000
Long-term debt at year end	$ 418,963,000	$ 368,294,000
Raw steel produced (net tons)	21,768,000	20,372,000
Steel products shipped (net tons)	14,481,000	14,394,000
Orders on hand at year end	$1,168,000,000	$ 804,000,000
Employees—Monthly average number	130,000	131,000



Quarterly Shipments of Steel Products

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1969
ANNUAL REPORT

Bethlehem Steel Corporation, Bethlehem, Pa. 18016

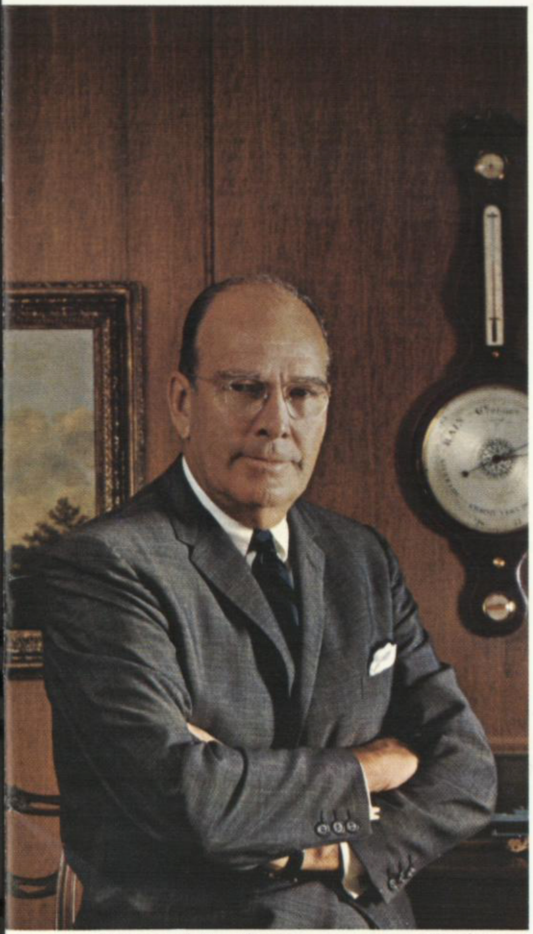
Cover: Bethlehem's ore carrier *Sparrows Point* delivers almost 23,000 net tons of taconite pellets at the new Burns Harbor pier.

The Year in Review

As can be seen from the statistics on the opposite page, 1969 was a good year for Bethlehem in several important aspects. Raw steel production, steel shipments and total revenues were at record levels. However, net income was slightly less than net income for 1968 and also considerably less than satisfactory.

Our shipbuilding business is at its highest point in over a decade. More than a million deadweight tons of shipping are on order at our Sparrows Point yard.

Shortly before the end of 1969, the steelmaking complex at our Burns Harbor plant was put into production. Because it is now able to produce much of its raw steel requirements from its own highly efficient new facilities, Burns Harbor should be able to contribute substantially to corporate profits in the next few years. At the Bethlehem plant, break-in costs for the new structural mill and basic oxygen shop are behind us. This means lower production costs.



Edmund F. Martin *Chairman*

A sudden boom in the demand for steel in the world market helped reduce the tonnage of steel coming into the United States in 1969 and actually resulted in a rise in steel exports by American producers. However, the import threat remains. Current expansion of foreign steelmaking capacity could again produce record shipments of steel into this country at the first sign of weakening worldwide demand. The only realistic solution to this continuing and dangerous problem is the enactment of enforceable limits on steel imports.

Our current labor contract, which has until August, 1971, to run, provides for hourly labor cost increases of about six per cent a year, not out of line with many other industries, but beyond our ability to absorb at present price levels in view of continuing increases in other costs.

We found it necessary last year and early this year to increase the prices of certain products to reduce to some extent the continuing erosion of inadequate profit margins.

The fact that our unit labor and material costs have been increasing in recent years makes product cost control an especially challenging task for the years ahead. Through research and heavy capital expenditures, amounting to over $3 billion during the past decade, we have moved as rapidly as possible to apply new technology to existing mills and to build new facilities which represent the latest in technology. Our efforts have resulted in gains in efficiency which help offset increases in labor and material costs. However, the anti-investment bias of the new Federal tax legislation is a severe blow to the ability of our industry to meet rising costs by continuing to install more efficient new facilities. In Bethlehem's case, when repeal of the 7 per cent investment tax credit becomes fully effective, it will increase income taxes by about $20 million annually at recent levels of capital expenditures. To compensate for that tax increase, it would be necessary to generate additional revenues of about $400 million annually.

While strengthening considerably our steel production, shipbuilding and raw materials operations in 1969, we also took steps in diversifying into fields that are growing more rapidly than steel and which seem to offer a higher rate of return on investment.

At present we are participating in, or making arrangements to participate in, such fields as plastics fabrication and molding, specialty metals for aerospace and nuclear uses, hydroelectric power generation and exploration and development of minerals for sale on the world market. Some of those activities are described on page 9 of this report.

We foresee a continuing high level of domestic steel demand and expect to share fully in supplying that demand, assuming we can obtain some reasonable limitation on imports. By moving aggressively into higher growth rate areas, we expect to be able to operate from a more diverse base in the coming decade.

Edmund F. Martin

February 11, 1970 Chairman

Improving the Production Complex

In the past decade, Bethlehem has taken great strides toward the transformation of its production processes and facilities. Entering the 70's, Bethlehem is a far different company from the one which existed ten years ago. In the 60's Bethlehem's vocabulary was enlarged by such new phrases as Homer Research Laboratories, Burns Harbor, basic oxygen furnace, computer-controlled and continuous casting.

Bethlehem intends to continue to develop and employ the most advanced technology to produce steel of higher quality and greater variety at the lowest possible cost. Its customers will be demanding—and getting—steel of better quality, rolled to closer tolerances and in a wider range of specifications than in the decade past. Current improvements to Bethlehem's production complex are described below.

Steelmaking

The Burns Harbor plant continues to be the biggest single project in Bethlehem's program for improving its facilities. And the big news from Burns Harbor in 1969 was that it now has 2 million annual tons of highly efficient steelmaking capacity in the rapidly growing Midwest steel market. In June, 1969, the first carloads of coal were unloaded at the plant. In September, the first boatload of iron pellets was delivered to the plant. Also in September, the first coke was pushed from the ovens. The slabbing mill began operations in October, using, for break-in purposes, ingots from other Bethlehem plants. Shortly before the year ended, the first iron was cast from the blast furnace and the first steel was tapped from the BOF. The blast furnace is the largest in the United States and is the first to be equipped with a computer-controlled conveyor belt feed system.

Heretofore, steel for the rolling facilities at Burns Harbor was supplied entirely by unit-train shipments of slabs from the Lackawanna and Sparrows Point plants. As an integrated steel plant, with its own hot metal facilities, Burns Harbor's cost of

First coke was pushed at Burns Harbor in September.

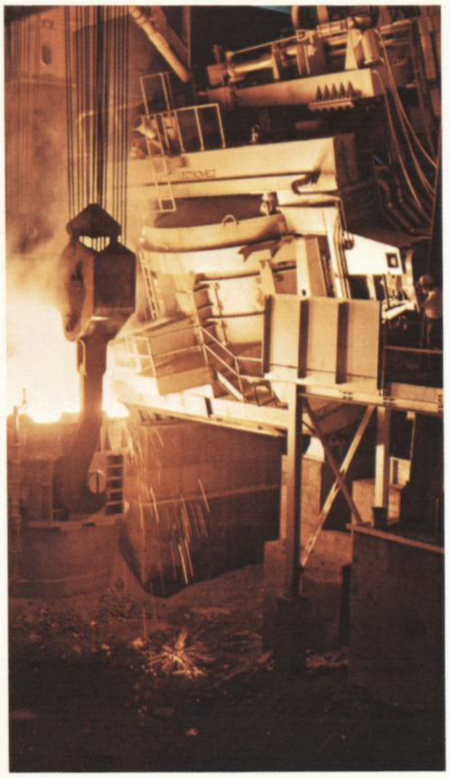
Steel was rolled on the Burns Harbor slabbing mill in October.

There is no equal in the United States to the computer-controlled blast furnace at Burns Harbor.

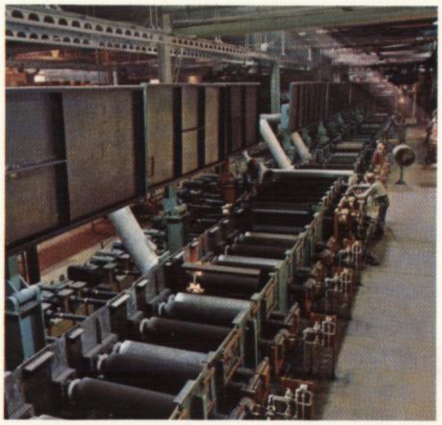
producing steel products should be reduced significantly. Thus, in the 70's, it should be in a position to make a substantial contribution to Bethlehem profits.

The replacement of the old open hearths at the Steelton plant with three big electric furnaces, each of 150-ton-capacity, is progressing. The first heat of steel was tapped in June and two furnaces were in operation at the close of the year. The third furnace will be in operation in the fall of 1970, giving the plant annual steelmaking capacity of over one million tons.

The new 3-million-ton annual capacity BOF shop at the Bethlehem plant completed its first full year of operation in 1969. The new shop's greater steelmaking efficiency—compared with the open hearths it replaces—is reducing the cost of raw steel at the plant.



New electric furnaces at the Steelton plant greatly reduce environmental quality problems there.



Tin-free steel for beverage cans will be made on Sparrows Point's second chrome-coating line.

The new combination mill at the Bethlehem plant finished a full year of operation.

Today's huge ocean-going ore carriers will be unloaded in 1971 at a new deep-water pier at the Sparrows Point plant.

Steel Rolling and Finishing

The Sparrows Point plant's second line to produce chrome-coated (tin-free) steel for the container industry will begin operating in the first quarter of 1970. Another such line is scheduled for completion about the middle of the year at the Burns Harbor plant. These new facilities will enable Bethlehem, which was one of the leaders in the development of this new steel, to participate fully in the expanding market for beer and soft-drink containers.

At the Bethlehem plant the new computer-controlled combination mill which can roll standard and wide-flange structural shapes as well as a wide range of sheet piling shapes completed its first full year of operation. It can produce high-quality close-tolerance structural shapes in lengths up to 250 feet at the rate of one a minute.

A reinforcing bar fabricating shop is being built at Woodbridge, Va., 25 miles south of Washington, D. C., and another is to be built in New Haven, Conn. Bethlehem presently has 13 other such shops in major construction areas around the nation.

Raw Materials

At the Grace iron ore mine in eastern Pennsylvania, a new underground mining system using mobile equipment was installed in 1969 to reduce operating costs. The new system employs specially designed diesel-powered vehicles that can load, haul and dump ore in lots of eight tons.

New coal mining operations in Kentucky will increase the Elkhorn division's coal production by 50 per cent; high-capacity mining and processing equipment is being installed at the Ellsworth coal division in western Pennsylvania; and approximately 8,000 acres of coal lands were acquired during 1969 for the Cambria division in central Pennsylvania.

Nearing completion at the Lackawanna plant is a coke oven battery that is replacing two older batteries.

A new limestone kiln has been added at the Millard quarry in eastern Pennsylvania, doubling its capacity for producing burnt lime, a product used in the BOF steelmaking process.

The steel piling foundation and structure for the new ore pier at the Sparrows Point plant was begun in 1969. Currently, carriers can unload cargoes of approximately 58,000 tons but the new pier facilities will be able to unload ore ships carrying up to 160,000 tons of ore when the Baltimore harbor channel is deepened to 50 feet.

Shipbuilding

In 1969 Bethlehem began construction of a new shipbuilding basin at the Sparrows Point yard. Capable of accommodating vessels of over 300,000 deadweight tons, it will be the largest and most modern shipbuilding basin in the country when completed in 1971. Bethlehem already has orders for three 120,000-deadweight-ton tankers, which will be built in the new basin, for transporting oil from the Alaskan oil fields. They will be larger than any ships built thus far in an American shipyard.

The development of the new Alaskan oil fields has been one of the major factors in giving Bethlehem a current shipbuilding backlog, which includes 13 tankers, totaling more than 1,000,000 deadweight tons.

To service the many large tankers that will be making the run from Alaska to West Coast ports—and other large vessels as well—the biggest dry dock in the country will be completed at Bethlehem's San Francisco shipyard in 1970. A dry dock at Bethlehem's Hoboken yard is being expanded, primarily to handle vessels in the growing fleet of large containerships operating on the North Atlantic runs.

Corporate Headquarters

Ground was broken late in August for a new corporate headquarters building in Bethlehem.

It will provide more than 600,000 square feet of office space and will be connected to an existing office building. The exterior of the new building will be faced with porcelainized steel panels.

The structural steel frame for the building will be fabricated at the Leetsdale works. At the year end foundations were ready for the start of steel erection.

One quarter of the largest dry dock in the country slides down the ways at the San Francisco yard. It will be in service there in 1970.

Architect's rendering of new corporate headquarters building.

Environmental Improvement

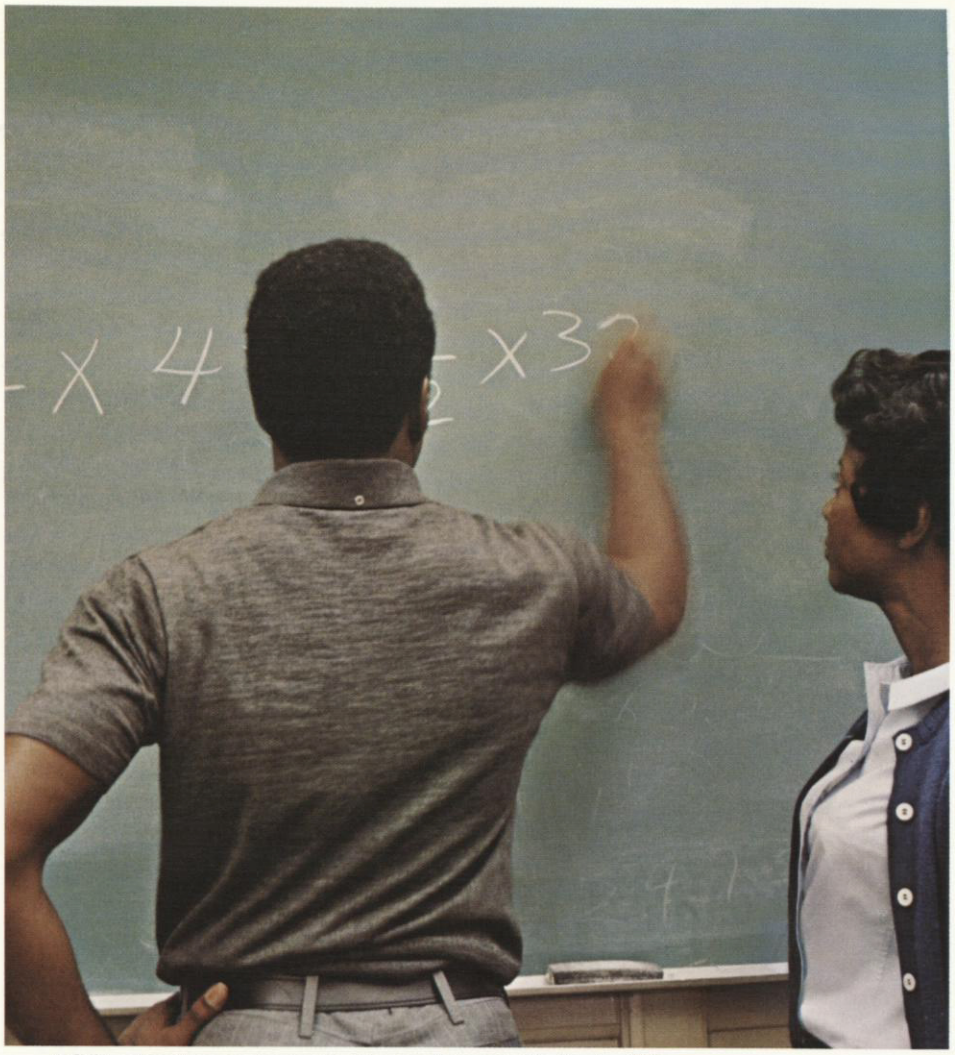
To improve air and water quality, Bethlehem has stepped up the pace of its efforts to improve the environment in the vicinity of its steel plants, mines, quarries and shipyards. In the last three years alone, Bethlehem has spent $67 million for environmental quality control facilities, amounting to 5.6 per cent of its capital investment in property, plant and equipment for that period. In the next few years, it is estimated Bethlehem will spend approximately 11 per cent of such investment for similar environmental quality control equipment.

Fish thrive in the Burns Harbor plant's water-treatment lagoon . . .

. . . and a duck raises a family in the stream into which the Hanover quarry returns its treated water.

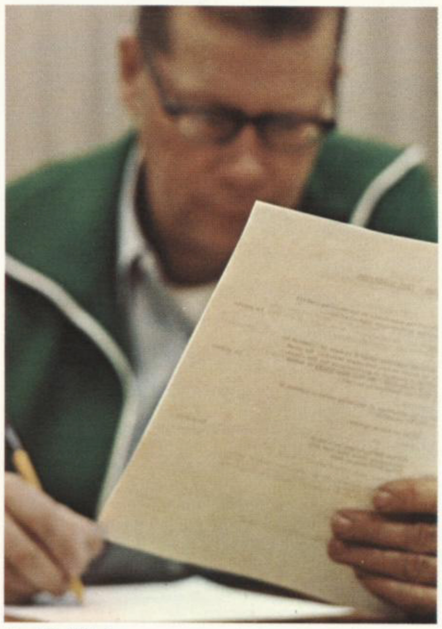
A quarter of a million tree seedlings and tons of grass seed have transformed a barren tailings basin area into a small game refuge.

Human Skills



Adult education classes provide employees with basic skills.

To fill its future management needs, Bethlehem recruits on college campuses from coast to coast.



A Bethlehem supervisor goes to company-sponsored classes to improve his management skills.

Accompanying the improvements to the physical side of steelmaking in the decade just ended has been an increasing emphasis on the human side of steelmaking—the men and women who make, shape and sell the products of Bethlehem's plants.

Long-range apprenticeship training programs have been expanded greatly in recent years, especially in the shipbuilding area.

Bethlehem's Educational Assistance Program has enabled 2,524 of its salaried employees to improve their skills through college courses. Since 1966, 118 salaried employees have received college degrees at the bachelor's and master's levels under the program.

Bethlehem has long had both formal and informal training programs for its supervisors. Currently Management in Action programs are being conducted at its steel operations and in the shipbuilding and mining departments. Middle Management Seminars are being conducted for home office personnel.

One of Bethlehem's largest employee training programs is designed to assist disadvantaged employees to improve their abilities in the basic skills of reading, writing and arithmetic. Over a thousand employees at the Lackawanna and Sparrows Point plants have completed a new adult basic education course given under the program and financed by the U. S. Government.

In cooperation with the JOBS program sponsored by the National Alliance of Businessmen, Bethlehem has been hiring employees from the ranks of the hard-core unemployed and training them for productive jobs. In the first year of the JOBS program, which ended in mid-1969, Bethlehem hired 460 employees and for the 1970 program Bethlehem has pledged to hire in excess of 900 more.

When harnessed by the Western Hemisphere's largest hydroelectric project, Churchill Falls, Labrador, will begin delivering power in 1972. Bethlehem has joined with The Rio Tinto-Zinc Corporation Limited and the Quebec Hydro-Electric Commission in the project.

Developing New Potentials for Growth

Bethlehem has never been in a stronger competitive position in its basic line of business—the production and sale of steel mill products—and that activity will provide the major part of its revenues and profits for many years to come. Its plants, facilities and personnel make it a formidable competitor in the domestic steel market, and it intends to maintain that competitive strength in the future.

As part of its business of producing and selling steel mill products, Bethlehem has for many years also been engaged in many manufacturing activities. Those activities are being expanded where appropriate.

The Buffalo Tank operations, for example, have substantially increased culvert pipe manufacturing capability and expect to continue to grow in the drainage products field.

The Shipbuilding Department, long a prominent builder of offshore drilling rigs at its Beaumont yard, is exploring various means of expanding its operations to take advantage of increased offshore drilling and production activities. It has arranged to build a facility in Singapore for that purpose.

In the growing market for prepainted and precoated steels, Bethlehem continues to expand its capabilities to supply more and better products.

In addition to expanding its present business, extensive efforts have been made to develop opportunities in other areas, new to Bethlehem but close enough in operating principles to give it confidence that it can participate successfully.

Bethlehem has started to participate in the field of the exotic, high-performance specialty metals. The use of those metals is growing rapidly in response to the increasing requirements of space programs and such industries as aerospace and nuclear power. Bethlehem has joined forces with a new producer of those metals, Cybermetals Corporation, and will work with it in this field.

Bethlehem is now engaged in extensive exploration throughout the world, both alone and in association with others, to develop opportunities for investment in minerals and raw materials in addition to those required for its own steel plant operations.

It is also participating in the Western Hemisphere's largest hydroelectric power project, located at Churchill Falls, Labrador, which is scheduled to begin delivering the first of its 5.2 million kilowatts of electric power in 1972.

Early in 1970 Bethlehem expects to acquire the business of Kusan, Incorporated, a Nashville based fabricator and injection molder of industrial and proprietary plastic products. The acquisition will, it is hoped, give Bethlehem a base from which to expand in the fast growing plastic materials market.

In short, Bethlehem expects to maintain its strength in basic steelmaking and at the same time establish a position in faster growing industries.

Consolidated Statement of Income and Income Invested in the Business

	1969	1968
	(dollars in thousands)	
Revenues:		
Net sales	$2,927,657	$2,862,734
Interest, dividends and other income	28,595	33,521
	$2,956,252	$2,896,255
Costs and Expenses:		
Cost of sales	$2,250,050	$2,180,394
Depreciation (Note B)	213,112	211,641
Pensions (Note C)	40,516	36,143
Taxes, other than taxes on income	103,043	94,080
Selling, administrative and general expense	137,463	125,527
Interest and other debt charges	22,536	18,942
Provision for taxes on income (Note D):		
Current	(32,900)	20,800
Deferred	65,900	48,200
	$2,799,720	$2,735,727
Net Income	$ 156,532	$ 160,528
Net income per share*	$3.56	$3.55
Income Invested in the Business, January 1	1,369,412	1,281,230
	$1,525,944	$1,441,758
Dividends	76,966	72,346
Dividends per share	$1.75	$1.60
Income Invested in the Business, December 31	$1,448,978	$1,369,412

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* *Based on average number of shares outstanding.*

Consolidated Balance Sheet

(dollars in thousands)

	December 31, 1969	December 31, 1968
Assets		
Current Assets:		
Cash	$ 60,168	$ 47,314
U. S. Government and other marketable securities, at cost (approximately market)	208,439	235,945
Receivables—less allowance for doubtful receivables	313,056	269,963
Inventories (page 14)	462,094	437,696
Total Current Assets	$1,043,757	$ 990,918
Investments and Long-term Receivables:		
Investments in 50% or less owned enterprises, at cost	205,734	201,260
Miscellaneous investments, at cost, and receivables	40,820	99,782
Property, Plant and Equipment, net (page 14)	1,924,394	1,753,314
Deferred Charges	9,539	15,080
Total	$3,224,244	$3,060,354
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable (Note E)	$ 254,312	$ 348,926*
Notes payable	11,310	32,000
Accrued taxes (Note D)	99,127	100,985
Accrued employment costs	182,261	139,965
2¾% Bonds, Series I, due July 15, 1970	45,714	—
Other	82,310	66,815
Total Current Liabilities	$ 675,034	$ 688,691
Accrued Liabilities Payable After One Year (Note E)	101,700	99,840*
Deferred Income Taxes (Note D)	64,100	19,700
Long-term Debt (page 14)	418,963	368,294
Stockholders' Equity (Notes F and G):		
Preferred Stock—$1 par value—Authorized 20,000,000 shares	—	—
Common Stock—$8 par value—Authorized 80,000,000 shares; issued 45,987,118 shares	$ 575,992	$ 575,992
Income invested in the business	1,448,978	1,369,412
	$2,024,970	$1,945,404
Less—1,964,894 and 2,000,066 shares of Common Stock held in treasury, at cost	60,523	61,575
Total Stockholders' Equity	$1,964,447	$1,883,829
Total	$3,224,244	$3,060,354

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* *Restated for purposes of comparison.*

Notes to Consolidated Financial Statements

A. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its majority owned subsidiaries. During 1969, the Corporation acquired several related companies. The accounts of the companies for the period since acquisition have been included in the consolidated financial statements.

B. Depreciation

Substantially all the annual additions to property, plant and equipment made between 1953 and 1968 are being depreciated under the sum of the years-digits method. Substantially all additions since January 1, 1968, are being depreciated under the straight line method for financial accounting purposes, while the sum of the years-digits method has been retained for Federal income tax purposes.

C. Pensions

The amounts charged against income for pensions were mainly in respect of pensions under the Pension Plan, which provides retirement benefits for substantially all employees. Effective August 1, 1969, the amounts so charged reflect an increase in cost resulting from additional benefits then effective and a decrease in cost resulting from certain revisions in the actuarial assumptions. Such revisions did not have a material effect on consolidated net income for 1969.

The Pension Plan is noncontributory and covers approximately 24,000 participants now receiving pensions and approximately 135,000 participants who may become entitled to pensions in the future. Normal retirement age is 65 and benefits are related to compensation and years of continuous service.

The assets, at cost, of the Pension Trust Fund at December 31, 1969, amounted to $536,567,000 (page 15) and are sufficient to fully fund pensions already granted and to provide substantial additional amounts for pensions which may be subsequently granted. In the opinion of the Corporation and its independent actuary, such additional amounts constituted, in the light of the circumstances prevailing at December 31, 1969, a reasonable provision for the estimated actuarial liability at that date in respect of nonretired employees. The aggregate market value of the assets of the Pension Trust Fund is substantially more than the cost thereof. The Pension Trust Fund is not the property of the Corporation or its subsidiaries and therefore is not included in the consolidated financial statements.

D. Provision for Taxes on Income

Net income for 1969 and 1968 reflects reductions in the provision for current Federal income taxes equal to the estimated investment tax credits for such years of approximately $32,000,000 and $19,900,000, respectively.

The tax effects of material timing differences in the recognition of income and expense for financial accounting purposes and for the calculation of income taxes payable are included in the financial statements in accordance with Opinion 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

E. Raw Materials Transactions

In December of 1967, 1968 and 1969, several of the Corporation's wholly owned subsidiaries sold mineral production payments aggregating $296,000,000, $18,800,000 and $57,700,000, respectively, in primary sums. The purchasers are entitled, until the primary sums and certain additional amounts have been paid, to the proceeds from the sales of raw materials mined after December 31 of the year of sale from properties of such subsidiaries. The transactions are taken into income as the minerals are produced. The unpaid balance of the primary sums at December 31, 1969, was $97,839,000 and was reflected in accounts payable and in accrued liabilities payable after one year in the ratio of the amounts that were expected to be repaid out of production in the following twelve months and thereafter.

Based on its proportionate stock interest in certain 50% or less owned raw material enterprises, the Corporation is entitled to receive its share of the raw materials produced by such enterprises and is committed to pay its share of their costs, including amortization of their long-term indebtedness. The Corporation's share of such amortization averages approximately $8,000,000 annually through 1983. In addition, the Corporation has guaranteed indebtedness of various enterprises, including that of certain 50% or less owned raw material enterprises, with maturities which average approximately $7,000,000 annually through 1973.

F. Capital Stock

During 1969, the Corporation reacquired 61,603 shares of its Common Stock and used 96,775 shares of treasury stock to acquire the companies mentioned in Note A.

At December 31, 1969, 457,700 shares of Common Stock were reserved for the exercise of options granted under the Stock Option Plan prior to 1963. The option prices range from $41 to $45 per share and the options expire on various dates prior to May 1972. During 1969, no options were exercised and options covering 156,200 shares terminated. No additional options may be granted under the Plan.

G. Kusan Acquisition

Under date of December 15, 1969, Bethlehem and Kusan, Incorporated entered into a Reorganization Agreement and Plan providing for the sale of all the assets, properties and business of Kusan to a wholly owned subsidiary of Bethlehem in exchange for shares of Common Stock of Bethlehem at the rate of 93/100ths of a share of Bethlehem for each share of Kusan and the assumption of substantially all the liabilities of Kusan. It is contemplated that the acquisition will be accounted for on the basis of a pooling of interests and that Bethlehem will use a maximum of 679,455 shares of treasury stock to effect the exchange. The acquisition is subject to various conditions, including approval by Kusan stockholders.

Consolidated Statement of Source and Application of Funds

	1969	1968
	(dollars in thousands)	
Source:		
From Operations—		
Net income	$156,532	$160,528
Depreciation (Note B)	213,112	211,641
Decrease in investment in future mineral production	60,325	(18,325)
Decrease in deferred charges	5,541	(13,592)
Increase in accrued liabilities payable after one year (Note E)	1,860	(134,960)
Increase in deferred income taxes	44,400	54,400
Increase in long-term debt	50,669	(1,949)
Decrease in treasury stock	1,052	(61,362)
Other, net	5,656	3,316
Total	$539,147	$199,697
Application:		
Capital expenditures, and net investments in 50% or less owned enterprises	$395,685	$517,087
Increase in working capital	66,496	(389,736)
Dividends	76,966	72,346
Total	$539,147	$199,697

Opinion of Independent Accountants

To the Board of Directors and Stockholders
of Bethlehem Steel Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and income invested in the business and the consolidated statement of source and application of funds present fairly the financial position of Bethlehem Steel Corporation and its subsidiaries consolidated at December 31, 1969, the results of their operations for the year and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N.Y.
February 11, 1970

Price Waterhouse & Co.

Schedules to Consolidated Financial Statements

Inventories

	December 31, 1969 (dollars in thousands)	December 31, 1968 (dollars in thousands)
Ore, fluxes, fuel and coal chemicals	$ 102,219	$ 109,196
Pig iron, alloys, scrap and manufacturing supplies	95,164	99,869
Finished and semi-finished products	204,870	180,663
Contract work in progress	59,841	47,968
	$ 462,094	$ 437,696

Note: Inventories (other than contract work in progress, which is valued at cost less billings, adjusted for estimated partial profits or losses) are valued at the lower of cost or market using the last-in, first-out method, adopted in 1947, in costing the principal portion thereof.

Property, Plant and Equipment

	December 31, 1969	December 31, 1968
Steel producing and fabricating properties	$3,923,415	$3,622,122
Raw material properties, net of depletion	425,242	410,326
Transportation properties	188,133	178,057
Shipbuilding and ship repair properties	114,460	102,658
Total Property, Plant and Equipment, at cost	$4,651,250	$4,313,163
Less: Accumulated depreciation	2,726,856	2,559,849
	$1,924,394	$1,753,314

Long-term Debt

	December 31, 1969	December 31, 1968
Consolidated Mortgage Bonds		
Twenty-Five Year Sinking Fund 2¾% Bonds, Series I. Due July 15, 1970	$ —	$ 45,714
Thirty-Year Sinking Fund 2¾% Bonds, Series J. Due November 15, 1976	19,850	21,561
(Sinking Fund requirements: $111,000 in 1970 and $1,000,000, annually, 1971 to 1975, inclusive)		
Thirty-Year Sinking Fund 3% Bonds, Series K. Due January 1, 1979	27,689	29,594
(Sinking Fund requirements: $942,000 in 1972 and $1,000,000, annually, 1973 to 1978, inclusive)		
3¼% Twenty-five-Year Debentures. Due May 1, 1980	3,268	3,269
5.40% Debentures. Due January 15, 1992	150,000	150,000
(Sinking Fund requirements: $6,000,000, annually, 1972 to 1991, inclusive)		
6⅞% Debentures. Due March 1, 1999	100,000	—
(Sinking Fund requirements: $4,000,000, annually, 1975 to 1998, inclusive)		
4½% Subordinated Debentures. Due January 1, 1990	118,156	118,156
(Sinking Fund requirements: $4,076,000, annually, 1970 to 1989, inclusive)		
	$ 418,963	$ 368,294

Note: The amounts at December 31, 1969, are after deducting the following securities owned and available for Sinking Fund requirements: $2,261,000 Series J Bonds, $1,253,000 Series K Bonds and $5,478,000 Subordinated Debentures.

Pension Trust Fund

Statement of Assets

(dollars in thousands)

	December 31, 1969	December 31, 1968
Cash and accrued interest receivable	$ 2,267	$ 2,480
Contributions receivable from employing companies	38,171	8,291
Investments, at cost:		
Short-term obligations	22,107	37,018
Other bonds, notes and obligations	112,117	121,190
Preferred stocks	16,125	11,001
Common stocks	345,780	329,557
Total (Note)	$536,567	$509,537

Statement of Changes in Fund

(dollars in thousands)

	1969	1968
Balance in Fund, January 1	$509,537	$471,908
Additions: Contributions from employing companies	40,440	36,069
Income from investments	22,750	23,132
Net gain on disposition of investments	10,776	18,453
	$583,503	$549,562
Deduction: Pension payments	46,936	40,025
Balance in Fund, December 31	$536,567	$509,537
Pensioners at year end	24,573	23,053

Note: The Pension Trust Fund is not the property of the Corporation or its subsidiaries and therefore is not included in the consolidated financial statements. The aggregate market value of the total assets of the Fund is substantially more than the cost thereof.

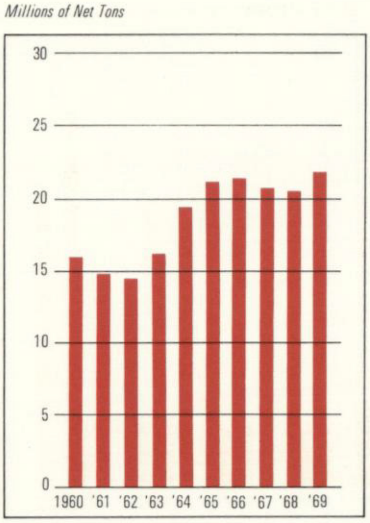
Opinion of Independent Accountants

To the Trustees of the Pension Trust
of Bethlehem Steel Corporation and Subsidiary Companies:

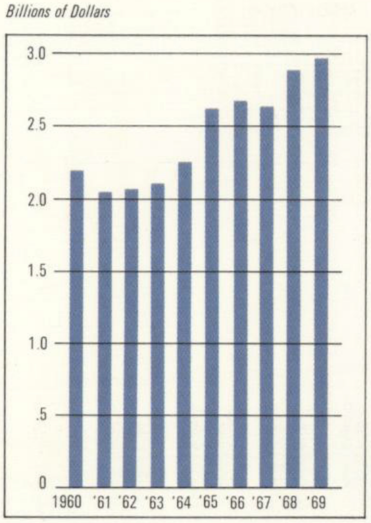
In our opinion, the accompanying statement of assets and statement of changes in the Fund present fairly the assets of the Pension Fund under the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1969 and the changes in the Fund during the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation by the custodian of investments owned at December 31, 1969.

New York, N. Y.
January 26, 1970

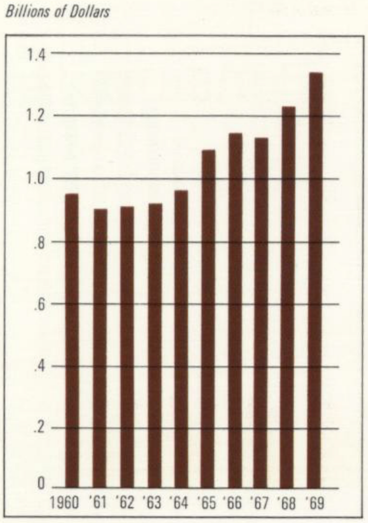
Price Waterhouse & Co.



Production



Revenues

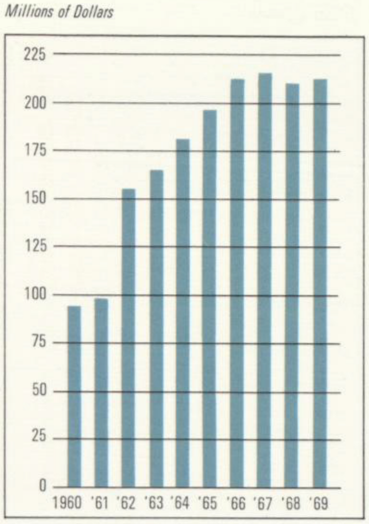


Employment Costs

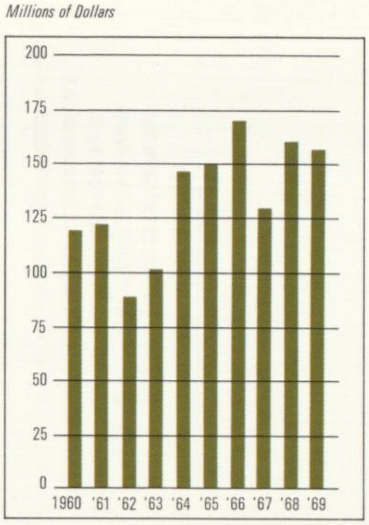
Ten Year Financial and Operating Summary

(Dollars in millions, except net income per share)

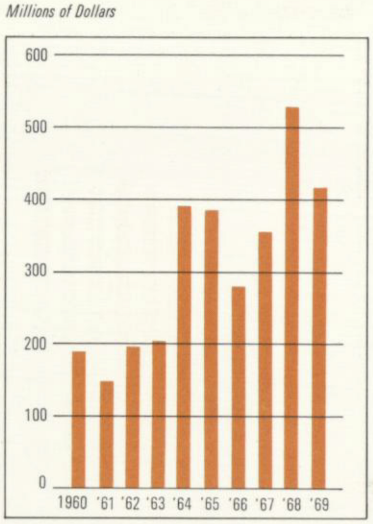
	1969	1968	1967
Revenues:			
Net sales	$2,927.6	2,862.7	2,594.1
Interest, dividends and other income	28.6	33.5	24.8
	$2,956.2	2,896.2	2,618.9
Costs and expenses:			
Employment costs	$1,332.0	1,220.6	1,141.2
Materials and services	1,151.8	1,171.8	1,008.4
Depreciation	213.1	211.6	214.8
Taxes, other than social security taxes	80.3	112.8	108.9
Interest and other debt charges	22.5	18.9	15.2
	$2,799.7	2,735.7	2,488.5
Net income—Amount	$ 156.5	160.5	130.4
—Per dollar of total revenues	5.3¢	5.5	5.0
—Per share of Common Stock	$ 3.56	3.55	2.84
Dividends—Preferred Stock (refunded in 1964)	$ —	—	—
—Common Stock	77.0	72.3	69.0
Capital expenditures–Property, plant and equipment	$ 391.2	458.1	338.3
–Investments in 50% or less owned enterprises	20.5	71.8	14.3
Long-term debt at year end	$ 419.0	368.3	370.2
Common Stock at year end—Shares outstanding	44,022,000	43,987,000	45,982,000
—Stockholders	229,000	237,000	240,000
Raw steel produced (net tons)	21,768,000	20,372,000	20,525,000
Steel products shipped (net tons)	14,481,000	14,394,000	13,056,000
Employees—Monthly average number	130,000	131,000	131,000



Depreciation



Net Income



Capital Expenditures

1966	1965	1964	1963	1962	1961	1960
2,669.4	2,579.4	2,240.7	2,095.8	2,072.1	2,033.9	2,178.1
22.3	21.8	24.1	20.4	24.7	23.2	30.9
2,691.7	2,601.2	2,264.8	2,116.2	2,096.8	2,057.1	2,209.0
1,147.6	1,080.8	973.1	924.3	914.1	913.0	945.7
1,023.6	1,016.8	831.5	785.7	812.6	750.8	856.5
212.0	196.1	181.2	163.7	155.5	98.1	94.2
129.2	148.4	126.9	136.5	121.9	168.8	187.8
8.4	9.1	4.2	3.5	4.0	4.0	3.6
2,520.8	2,451.2	2,116.9	2,013.7	2,008.1	1,934.7	2,087.8
170.9	150.0	147.9	102.5	88.7	122.4	121.2
6.4	5.8	6.5	4.8	4.2	5.9	5.5
3.72	3.26	3.11	2.11	1.80	2.54	2.52
—	—	6.5	6.5	6.5	6.5	6.5
82.8	68.8	68.3	68.3	99.0	109.2	109.2
265.1	377.6	385.7	177.3	144.5	114.3	169.9
13.1	5.6	5.8	31.1	48.3	30.7	12.1
231.0	240.3	263.4	128.9	135.4	138.7	140.4
45,982,000	45,987,000	45,511,000	45,511,000	45,511,000	45,511,000	45,488,000
248,000	245,000	249,000	254,000	258,000	235,000	209,000
21,275,000	21,032,000	19,436,000	16,109,000	14,677,000	14,944,000	15,941,000
13,849,000	14,319,000	12,762,000	10,987,000	10,391,000	10,045,000	11,419,000
133,000	130,000	121,000	120,000	122,000	128,000	141,000

Products

More than a million deadweight tons of ship construction are on order at the Sparrows Point yard.

Hundreds of miles of Bethlehem cold-rolled sheet steel . . .

. . . permit auto makers to deep draw the contours of today's automobiles.

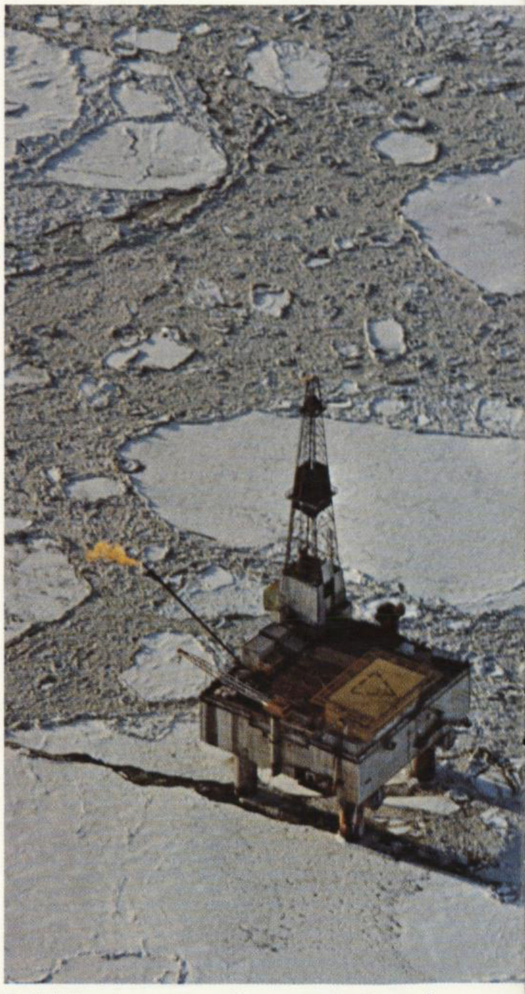
Sheet and Strip Products: Hot-rolled, cold-rolled and galvanized sheets • Hot-rolled bands • Hot-rolled strip • Galvannealed sheets • Electro-galvanized sheets • Enameling sheets—Bethnamel • Pre-painted sheets • Chromized sheets • Culvert sheets

Structural Shape Products: Wide-flange structural sections • Standard beams, angles and channels

Plate Products: Sheared, universal and strip mill plates • Quenched and tempered plates • Flanged and dished heads

Tin Mill Products: Electrolytic tinplate • Hot-dip tinplate • Blackplate • Double-reduced tinplate and blackplate • Tin-free steel • Electrolytic tin mill coated sheets

Alloy and Carbon Bars and Semi-Finished Products: Hot-rolled bars—standard and special sections • Blooms, billets and slabs



Bethlehem's new roller-quenched and tempered steel plate in an offshore oil drilling rig in Cook Inlet, Alaska.

Rod and Wire Products: Wire rods • Manufacturers' wire—bright, galvanized, Bethanized and aluminized • Nails and staples • Bale ties and automatic baling wire • Barbed wire

Reinforcing Bars and Construction Specialty Products: Concrete reinforcing bars • Fabricated reinforcing bars • Welded wire fabric • Slabform, Bridgform and Reinform • Highway guard rails—beam and cable • Cold-formed shapes • Steel joists

Piling Products: Sheet piling • H-piles • Piling pipe

Tubular Products: Continuous weld pipe • Electric-resistance weld pipe • Oil and gas transmission line pipe

Railroad Products: Freight cars, industrial cars and car parts • Rails, tie plates and joint bars • Wheels and axles • Frog and switch material • Prefabricated special track work

Tool Steel Products: Tool steels • Specialty steels

Industrial Fastener Products: Bolts, nuts, rivets, spikes and other industrial fasteners • Mine roof bolting and supports • Sucker rods

Wire Rope and Strand Products: Wire rope and strand—Bethanized, galvanized and aluminized • Stress-relieved strand • Wire rope slings and spliced products

Forgings, Castings and Special Products: Forgings—press, hammer, drop and circular • Hardened steel rolls • Ordnance • Steel castings • Ingot molds and stools • Ferro-manganese • Coal chemicals—tar, benzene, toluene, xylene and ammonium sulphate • Copper • Cobalt

Fabricated Steel Products: Bridges, buildings and other fabricated structures • Large diameter water pipe • Galvanized power transmission towers • Tanks and pressure vessels • Corrugated culvert pipe

Shipbuilding: Ships and ship repairs • Barges • Offshore oil drilling rigs • Special marine products

Raw Materials: Iron ore • Manganese ore • Lime • Stone • Slag

Sales Offices

Albany
Atlanta
Baltimore
Bethlehem
Boston
Buffalo
Chicago
Cincinnati
Cleveland
Columbus
Dallas
Dayton
Des Moines
Detroit
Grand Rapids
Greensboro, N.C.
Honolulu
Houston
Indianapolis
Jacksonville
Kansas City, Mo.
Los Angeles
Louisville
Milwaukee
New Haven
New York
Philadelphia
Pittsburgh
Portland, Ore.
Richmond, Va.
St. Louis
St. Paul
Salt Lake City
San Francisco
Seattle
Spokane
Syracuse
Toledo
Tulsa
Washington, D.C.
York

Export Sales:
Bethlehem Steel Export Corporation
New York, N.Y.

Pinole Point's galvanizing line completed its first full year of operation in 1969.

Facilities

Steel Plants: Sparrows Point, Md. • Lackawanna, N.Y. • Bethlehem, Pa. • Burns Harbor, Ind. • Johnstown, Pa. • Steelton, Pa. • Los Angeles, Calif. • Seattle, Wash. • South San Francisco, Calif. • Pinole Point, Calif. • Lebanon, Pa. • Williamsport, Pa.

Fabricating Works: Pottstown, Pa. • Leetsdale, Pa. • Pinole Point, Calif. • Chicago, Ill. • Bethlehem, Pa. • Torrance, Calif.

Shipbuilding and Ship Repair Yards: Baltimore, Md. • Beaumont, Tex. • East Boston, Mass. • Hoboken, N. J. • San Francisco, Calif. • Sparrows Point, Md. • Terminal Island (San Pedro), Calif.

Reinforcing Bar Fabricating Shops: Albany, N.Y. • Baltimore, Md. • Boston, Mass. • Clearing, Ill. • Cleveland, Ohio • Detroit, Mich. • Elizabeth, N. J. • Houston, Tex. • Jacksonville, Fla. • Miami, Fla. • Minneapolis, Minn. • Philadelphia, Pa. • Richmond, Va.

Other Manufacturing Units: Bath, N.Y. • Bealeton, Va. • Bedford, Pa. • Buffalo, N.Y. • Charlotte, N.C. • Dunellen, N. J. • Fairfield, Md. • Hallandale, Fla. • Jacksonville, Fla. • Raleigh, N.C. • Romulus, Mich. • Staten Island, N.Y.

Iron Ore Mines: Negaunee, Mich.* • Hibbing, Minn.* • Hoyt Lakes, Minn.* • Sullivan, Mo.* • Cornwall, Pa. • Morgantown, Pa. • Labrador City, Labrador, Canada* • Marmora, Ontario, Canada • Schefferville, Quebec, Canada* • Belo Horizonte, Brazil* • La Serena, Chile • Buchanan, Liberia* • San Felix, Venezuela

Manganese Ore Mines: Macapa, Amapa, Brazil* • Molango, Hidalgo, Mexico*

Coal Mines: Ebensburg, Pa. • Ellsworth, Pa. • Barrackville, W. Va. • Itmann, W. Va.* • Kayford, W. Va. • Jenkins, Ky.

Limestone Quarries: Drummond Island, Mich. • Presque Isle, Mich.* • Annville, Pa. • Bethlehem, Pa. • Hanover, Pa. • King of Prussia, Pa. • Milroy, Pa.

Rail Transportation: Five short line railroads in the vicinities of the Sparrows Point, Lackawanna, Bethlehem, Johnstown and Steelton Plants and one partially owned railroad serving certain coal mines near Johnstown, Pa.

Water Transportation: Six ore vessels and one product carrying vessel on the Great Lakes; fourteen ocean going ore and product carrying vessels; and three coal barges.

**Partial Interest*

Inside Back Cover: Stacker-reclaimer at Burns Harbor piles up taconite pellets before the Great Lakes freeze and shipments cease until spring.

Directors

Crowdus Baker
Retired Vice Chairman of the Board,
Sears, Roebuck and Co.

Edward D. Bickford

Bernard D. Broeker

Stewart S. Cort

Jess H. Davis
President,
Stevens Institute of Technology

Lewis W. Foy

Thomas S. Gates
Chairman of the Executive Committee,
Morgan Guaranty Trust Company
of New York

Harold H. Helm
Chairman of the Executive Committee,
Chemical Bank

Robert B. Hobbs
Chairman of the Executive Committee,
First National Bank of Maryland

John E. Jacobs

Edmund F. Martin

Monroe J. Rathbone
Retired Chairman of the Board,
Standard Oil Company (New Jersey)

Albert M. Reed

Ivor D. Sims

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Chairman

Stewart S. Cort
President

Ivor D. Sims
Executive Vice President

Edward D. Bickford
Senior Vice President, Commercial

Donald J. Blickwede
Vice President and
Director of Research

John D. Briggs
Vice President, Planning

Bernard D. Broeker
Chairman of the Finance Committee
and General Counsel

Laurence Fenninger, Jr.
Vice President, Public Affairs

Lewis W. Foy
Vice President, Purchasing

Charles W. Ganzel
Vice President, Sales,
Rolled Steel Products

John C. Howard
Vice President, Traffic

Richard M. Hurd
Vice President, Engineering

John E. Jacobs
Senior Vice President, Steel Operations

Edward P. Leach
Vice President, Mining

John J. O'Connell
Vice President, Industrial Relations

Albert M. Reed
Vice President, Accounting,
and Comptroller

C. Thompson Stott
Vice President, Steel Operations, Production

Daniel D. Strohmeier
Vice President, Shipbuilding

Francis Van Nuys
Vice President, Law

James H. Walker
Vice President, Finance

Frederic W. West, Jr.
Vice President, Sales,
Manufactured Products

Ben L. Bishop
Assistant Vice President, Sales

John F. Callahan
Assistant Vice President, Accounting

Albert W. Connar
General Purchasing Agent

John E. Eberhardt
Assistant Vice President, Research

Robert J. Jurgen
Assistant Vice President, Traffic

John Massey
Assistant Vice President, Sales

Henry R. Pund
Assistant Vice President, Shipbuilding

Sheldon J. Shale
Assistant Vice President, Mining

R. Stockton Taylor
Assistant Vice President, Sales

Walter F. Williams
Assistant Vice President, Shipbuilding

Robert C. Sonneman
Secretary

Edward W. Morris
Treasurer

Annual Meeting

The Annual Meeting of Stockholders of Bethlehem Steel Corporation will be held at 11 a.m. on Tuesday, April 28, 1970, in the Nemours Auditorium, Nemours Building, Orange Street, Wilmington, Delaware.

Stock Transfer Offices

Bethlehem Steel Corporation
25 Broadway
New York, N. Y. 10004

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

Registrars of Stock

Morgan Guaranty Trust Company
of New York
New York, N. Y. 10015

The First National Bank of Chicago
Chicago, Illinois 60690

Counsel

Cravath, Swaine & Moore
New York, N. Y. 10005

Independent Accountants

Price Waterhouse & Co.
New York, N. Y. 10004

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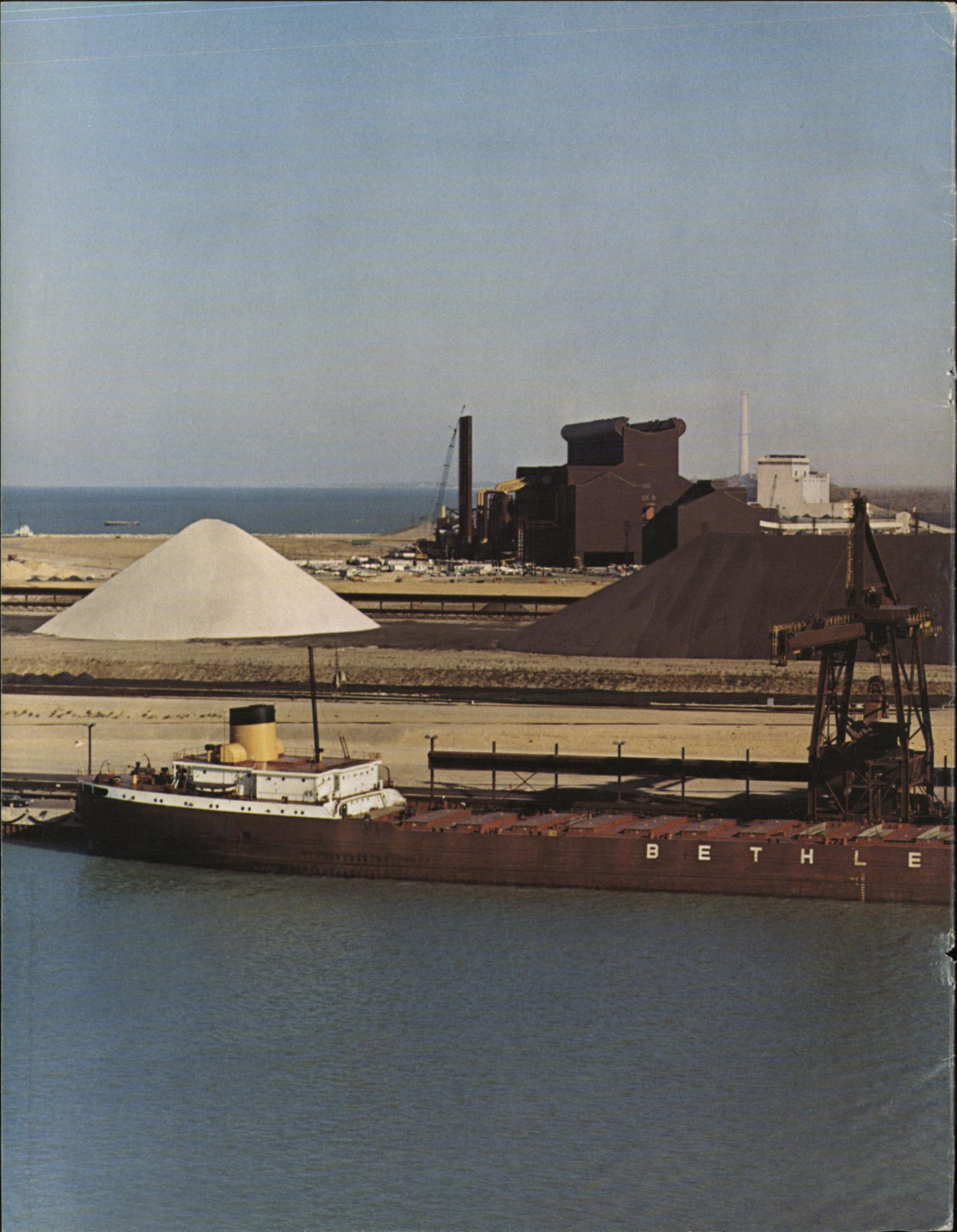
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